Poverty and Global Recession in Southeast Asia

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List of Tables
List of Figures
Message from Ambassador K. Kesavapany
Foreword by Professor C. Peter Timmer
Preface
Contributors

PART I  INTRODUCTION
1. Poverty and Food Security in Uncertain Times: Who are the Poor?
   Aris Ananta and Richard Barichello

PART II  WHO ARE THE POOR?
4. Education and Employment of the Poor
   Myo Than
CONTENTS

List of Tables

List of Figures

Message from Ambassador K. Kesavapani

Foreword by Professor C. Peter Timmer

Preface

Contributors

PART I  INTRODUCTION

1. Poverty and Food Security in Uncertain Southeast Asia
   Aris Ananta and Richard Barichello
   3

2. Impact of World Recession on Rural Poverty and Food Security
   in Southeast Asia: Lessons from the 1997–98 Asian Crisis
   Richard Barichello
   23

3. Global Economic Crisis and Social Security in Southeast Asia
   M. Ramesh
   45

PART II  WHO ARE THE POOR?

4. Education and Employment of the Poor in Laos
   Myo Thant
   81
5. Regional Disparities, Income Inequality, and Poverty: A Cumulative Causation from Malaysia’s Experience
   *Asan Ali Golam Hassan and Muszafarshah Mohd Mustafa*

   *Tan Ern Ser*

7. Poverty in Democratizing Indonesia
   *Aris Ananta and Evi Nurvidya Arifin*

**PART III  ECONOMICS AND POLITICS OF FOOD**

8. The Political Economy of Rice and Fuel Pricing in Indonesia
   *Arianto A. Patunru and M. Chatib Basri*

9. The Price of Rice and Politics of Poverty in the Philippines
   *Jorge V. Tigno*

10. The Impact of High Food Prices on Food Security in Cambodia
    *Chan Sophal*

11. Do the World Energy Price Shocks Explain Thailand’s Rice Price Turmoil?
    *Aekapol Chongvilaivan*

**PART IV  IMPACT OF GLOBAL RECESSION AND COPING MECHANISMS**

    *Sawarai Boonyamanond and Sureeporn Punpuing*

13. Impact of Global Recession on Wage Inequality in Singapore
    *Yothin Jinjarak*

14. The Urban Poor During the Global Financial Crisis and Economic Downturn in Vietnam
    *Dang Nguyen Anh*

15. High Cost of Living and Social Policy for Low Income Groups in Urban Shanghai
    *Ling How Kee and Wong Swee Kim*
Contents

15. High Cost of Living and Social Safety Nets for Low Income Groups in Urban Sarawak, Malaysia
   Ling How Kee and Wong Swee Kiong

Index

419
Steady economic growth in the last four decades in Malaysia has successfully resulted in a decline of poverty incidence from 52.4 per cent in 1970 to 6.1 per cent in 1997 (Nair 2005), though regional, ethnic and rural-urban disparities remained. However, due to the impact of the 1997 Asian financial crisis, poverty incidence rose for the first time to 8.5 per cent in 1998 (EPU 2001). Nevertheless, the government managed to restore the economy by introducing strict fiscal policy, stimulating the market, and stabilizing the financial market (JBIC 2001). Consequently, the incidence of poverty was reduced to 5.7 per cent in 2004 and then to 3.6 per cent in 2007 (EPU 2009a).

However, the recent spike of inflation threatens to push low-income families in Malaysia below the poverty line. Based on a Bank Negara Malaysia (2008) report, the inflation rate in Malaysia as measured by consumer price index peaked in the third quarter of 2008. The inflation rate moderated to 3.9 per cent in January 2009 from its elevated level due mainly to the series of downward fuel price adjustments by the government and the more moderate increase in food prices (Bank Negara Malaysia 2009). However, declining inflation only means a declining rate of increase of price level. The price level
of goods and services remains very high and rising, implying a continuing higher cost of living, even during recession. On the other hand, the GDP growth rate in Malaysia in 2008 (at 2000 constant price) was 4.6 per cent. Due to the recent global recession, the growth rate dropped drastically to -6.2 per cent in the first quarter of 2009 and improved slightly to -3.3 per cent in the second quarter of 2009 (Department of Statistics 2009).

With this rising cost of living and declining growth rate, it is surmised that low-income groups, particularly those with large families in urban areas, feel the pinch. According to studies conducted by Ragayah (2002, 2004), urban households were more affected by the rising commodity prices compared to those in rural areas as the latter were more able to diversify their income sources and to turn to local food production to cushion the effects of rising costs. The questions to arise are: How does the high cost of living impact on the quality of life and the well-being of the low-income families in the urban areas? How do they cope? What are the social support systems available to help tide them over this difficult period? Are the existing social safety nets available to them?

This chapter examines the impact of the high cost of living on low-income groups and families in the urban regions of Sarawak, Malaysia. The discussion is based on data obtained from a study conducted between January and June 2009 in and around the vicinity of the capital city Kuching and around the town centre of the Samarahan Division. The objectives of the study were to explore how low-income families are affected by, and cope with, the rising cost of living, and whether existing social safety net programmes are available to them. Purposive sampling was used to select and interview groups of people in the lower rung of the occupation ladder and whose incomes are below RM2,500. The chapter discusses the implications of the findings on the existing social safety net and concludes with several recommendations on appropriate social security provisions for the lower income groups.

As postulated that urban low-income families face the risk of falling into poverty in the face of the current economic recession and rising cost of living, it is appropriate to examine poverty in Sarawak particularly urban poverty before we discuss the study.

**POVERTY IN SARAWAK, MALAYSIA**

Malaysia introduced and adopted the poverty line income (PLI) to measure poverty since June 1977. Taking into consideration some of the limitations of the 1977 PLI approach, a revised methodology for PLI based on the Household Income Survey (HIS, or HES), which reflects the size, demographic composition as well as the location of household members (Ragayah 2007; UNDP 2008). Since then, the Department of Statistics Malaysia twice a year for official measures of poverty incidence. In calculating the PLI, a distinction is made between the urban and rural components (UNDP 2008). A household is considered to be below the poverty line if its income is less than the food PLI component.

PLI in Sarawak is consistently set on a high level taking into account the higher cost of living. However, the food PLI in Sarawak, Sabah, and Peninsular Malaysia are lower than the urban POVERTY LINE INCOME, Malaysia.

Sarawak is one of several states with a poverty rate of 3.3 per cent, the others are Sabah, the east coast states (Kedah and Perlis), and the states in the northern region (Kedah and Perlis) (Statistics Malaysia 2006). In the last two decades poverty has been declining from 21 per cent in 1990 to 7.5 per cent in 2002. Hard-core poverty has also seen a decline, with 11,100 households (3.3 per cent) in 1990 to 6,800 households (0.6 per cent) in 2002 (EPU 2008).

**TABLE 15.1**

<table>
<thead>
<tr>
<th>Regions</th>
<th>Poverty Line Income in RM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Household</td>
</tr>
<tr>
<td>West Malaysia</td>
<td>720</td>
</tr>
<tr>
<td>Urban</td>
<td>740</td>
</tr>
<tr>
<td>Rural</td>
<td>700</td>
</tr>
<tr>
<td>Sabah &amp; Labuan</td>
<td>960</td>
</tr>
<tr>
<td>Urban</td>
<td>970</td>
</tr>
<tr>
<td>Rural</td>
<td>940</td>
</tr>
<tr>
<td>Sarawak</td>
<td>830</td>
</tr>
<tr>
<td>Urban</td>
<td>860</td>
</tr>
<tr>
<td>Rural</td>
<td>810</td>
</tr>
</tbody>
</table>

*Source: EPU (2008).*